

BEFORE THE
POSTAL RATE COMMISSION

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OFFICE OF THE SECRETARY

POSTAL RATE AND FEE CHANGES, 1997

DOCKET NO. R97-1

**FIRST SET OF INTERROGATORIES AND REQUESTS FOR
PRODUCTION OF DOCUMENTS FROM UNITED PARCEL SERVICE
TO UNITED STATES POSTAL SERVICE WITNESS BRADLEY
(UPS/USPS-T13-1 through 19)**

(July 28, 1997)

Pursuant to the Commission's Rules of Practice, United Parcel Service hereby serves the following interrogatories and requests for production of documents directed to United States Postal Service witness Bradley (UPS/USPS-T13-1 through 19).

Respectfully submitted,



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**INTERROGATORIES OF UNITED PARCEL SERVICE
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UPS/USPS-T13-1. You state on page 13, line 11, of your testimony that the Highway Contract Support System ("HCSS") contains data on "nearly all contracts in force." Please define "nearly all" and identify the contracts not included.

UPS/USPS-T13-2. Please describe the investigations you conducted into the completeness of the HCSS. Describe the information generated by those investigations, and explain the reasoning that led you to the conclusion that the HCSS contains data on "nearly all contracts in force."

UPS/USPS-T13-3. Please describe the types of contracts that are excluded from the HCSS. Do these contracts differ in any systematic way from the contracts that are included in the HCSS?

UPS/USPS-T13-4. Please describe the effect that collection of data on the missing contracts and their inclusion in your econometric analysis would have had on your econometric results.

UPS/USPS-T13-5. At what point in the procurement cycle is a contract entered into the HCSS data base -- at the point of issuance of the original solicitation of bids, upon receipt of a bid, upon selection of a contractor, or upon the formal signing of the contract?

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UPS/USPS-T13-6. You state on page 14, lines 4-5, of your testimony that "HCSS is a live data system in the sense that it changes as the contracts themselves change." Does the HCSS capture all changes made to a contract over its period of effectiveness, or only some changes? If the latter, please describe the types of changes that are not entered into the data base.

UPS/USPS-T13-7. (a) Do the contracts contained in the HCSS specify the exact cost, the exact numbers of trucks and miles traveled, and the exact cubic capacities of the trucks to be provided under the contract?

(b) If the HCSS data base does not contain the exact cost, the exact numbers of trucks and miles traveled, and the exact cubic capacities of the trucks to be provided under the contract, please describe what it does contain, and how this differs from the quantities actually provided by the contractor?

(c) Do the cost amounts recorded in the HCSS contain the exact amounts paid to each of the contractors under these contracts? If not, by how much and in what ways do the actual payments differ from the costs recorded in the HCSS?

UPS/USPS-T13-8. (a) What oversight was made of the 12 DNOs to ensure that data extraction was performed correctly and accurately?

(b) Was there any oversight of each DNO's data collection and data entry process?

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(c) If each DNO is responsible for entering its own data into the electronic data base, does each DNO scrub its own data? How?

(d) Is the entry error rate the same for all DNOs? If not, how might that affect the results?

UPS/USPS-T13-9. You state on page 22, line 1, of your testimony that you included both regular and emergency contracts in your analysis. Did you conduct any test to determine whether these two groups of contracts exhibit the same relationships between volume, route length, and cost? If so, what did these investigations reveal? Please supply copies of all computer programs, outputs, and other results produced in the course of these investigations.

UPS/USPS-T13-10. You state on page 22, lines 5-12, of your testimony that you included both tractor-trailer and "power-only" contracts in your analysis. Did you conduct any test to determine whether these two groups of contracts exhibit the same relationships between volume, route length, and cost? If so, what did these investigations reveal? Please supply copies of all computer programs, outputs, and other results produced in the course of these investigations.

UPS/USPS-T13-11. (a) You state on page 27, lines 15-17, of your testimony that you can account "for the possibility of non-volume related regional variation in cost by including dummy variables for each region in the econometric

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specification." Does this technique also allow you to account for volume-related regional variations in cost?

(b) If there are volume-related regional variations in cost, is your model specified in such a way as to allow you to take them correctly into account? Please describe the basis for your answer.

UPS/USPS-T13-12. Would you expect contractor fuel costs to be less volume-related, as volume-related, or more volume-related than total contractor costs? Please describe the basis for your answer.

UPS/USPS-T13-13. The econometric results presented in Table 7 allow the constant terms of the translog costs models to take different values in the different regions of the country. Did you estimate, test, or examine any models based upon specifications that allow other translog cost model coefficients to take different values in the different regions of the country? If so, please provide copies of all computer programs, outputs, and other results produced in the course of these investigations.

UPS/USPS-T13-14. Consider as an example an Intra-City contract whose volume, route length, etc., were equal to the mean values of the contracts used in the econometric analysis whose results are reported in Table 15. Based upon the results of your econometric analysis, what percentage change in costs would you

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expect to see in response to a 1% change in the volume associated with this contract, holding all else equal? Please explain the basis for your answer.

UPS/USPS-T13-15. Consider as an example all of the Intra-City contracts for purchased transportation entered into by the Postal Service. Based upon the results of your econometric analysis, what percentage change in total costs would you expect to see in response to a 1% change in the volumes associated with all of these contracts, holding all else equal? Please explain the basis for your answer.

UPS/USPS-T13-16. Consider as an example all of the Intra-City contracts for purchased transportation entered into by the Postal Service. How much of an increase in total costs would you expect to see if, for each contract in the category, the Postal Service entered into a second identical contract? Please explain the basis for your answer.

UPS/USPS-T13-17. Consider as an example all of the Intra-City contracts for purchased transportation entered into by the Postal Service. How much of an increase in total costs would you expect to see if, for every tenth contract in the category, the Postal Service entered into a second identical contract? Please explain the basis for your answer.

UPS/USPS-T13-18. Consider as an example all of the Intra-City contracts for purchased transportation entered into by the Postal Service. How much of

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an increase in total costs would you expect to see if, for every hundreth contract in the category, the Postal Service entered into a second identical contract? Please explain the basis for your answer.

UPS/USPS-T13-19. (a) In your opinion, do the characteristics (i.e., volume, route length, number of routes, number of trucks, etc.) of the Postal Service's contracts for purchased transportation reflect efforts on the part of the Postal Service to obtain these services at the lowest possible cost?

(b) In attempting to obtain purchased transportation at the lowest possible cost, is the Postal Service free to select whatever contract characteristics it believes are optimal from its point of view, or are there constraints on the ability of the Postal Service to alter contract characteristics? What are the nature of any such constraints?

CERTIFICATE OF SERVICE

I hereby certify that I have this date served the foregoing document in
accordance with section 12 of the Commission's Rules of Practice.


Stephanie Richman

Dated: July 28, 1997
Philadelphia, Pa.